

REMARKS

This Amendment and Request for Reconsideration is submitted in response to an outstanding Office Action dated October 18, 2005, the shortened statutory period for response set to expire on January 18, 2006. Accordingly, a Petition and Fee for Extension of time are included herewith.

I. Status of the Claims

Claims 15 - 23 are pending in the application. Claims 15 and 23 – 25, 33 – 34, are independent claims.

Applicant has amended the specification to account for a typographical error in the equation at Page 8, line 7. No new matter has been added. Specifically, in the equation at Page 8, line 7 a quotation mark had been accidentally printed in place of a superscript “n” following the parenthetical “(1 + rate)” in the equation.

Previously withdrawn claims 1 - 14 have been cancelled by this Amendment without prejudice to present these claims in a divisional or continuation application.

Claims 15 and 23 have been amended to provide proper antecedent basis. No relinquishment of subject matter is intended by these amendments.

Applicants acknowledge the Examiner's citation of statutory authority as a basis for claim rejections, and appreciate the Examiner having provided Examiner's “Response to Amendment”.

II. Rejections under 35 U.S.C. § 101

In the Office Action dated October 18, 2005, claims 15 - 23 have been rejected under 35 U.S.C. § 101 on the bases that the claimed invention is directed to non-statutory subject matter, and that the claims “as presented do not claim a technological basis in the preamble and the body of the claim.” Office Action at ¶1, page 3.

Applicant submits that the subject matter of claims 15 - 23 meet the requirements of 35

U.S.C. § 101 and are not claimed in a trivial manner. Applicant are unable to discern from the Office Action the basis for the rejection that the claims “as presented do not claim a technological basis in the preamble and the body of the claim.” Applicant requests that the Examiner identify authority to support the stated requirement that claims contain a “technological basis.” In this regard, the applicant submits that in Ex Parte Lundgren, the Board of Patent Appeals and Interferences held that “there is currently no judicially recognized separate ‘technological arts’ test to determine patent eligible subject matter under § 101.” Ex Parte Lundgren, Appeal No. 2003-2088, at 9, 76 U.S.P.Q.2d 1385 (BPAI 2004). Alternatively, applicant respectfully requests that the Examiner withdraw the rejection. Furthermore, Applicant submits that the U.S. Patent and Trademark Office has found similar claim structures to constitute statutory subject matter. (See, e.g., U.S. Pat. No. 6,947,901).

Applicant further submits the claimed subject matter is statutory because the invention is a practical application and as a whole produces a “useful, concrete and tangible result.” State Street Bank & Trust Co. v. Signature Financial Group, Inc., 149 F.3d 1368, 1973, 47 U.S.P.Q.2d 1596 (Fed. Cir. 1998). The instant inventions are directed to practical applications of functional financial devices which produce a useful, concrete and tangible result, and as such constitute inventions in the field of financial technology.

Applicant submits that the inventions in claims 15-23 produce a “useful, concrete and tangible result.” The instant inventions provide a useful, concrete and tangible result by, among other things, providing a financial instrument not heretofore known to the field of financial technology. By providing a new exchangeable security having an issue value that is a price of an underlying security at a first time, a linked payment amount linked to the exchangeable security, and an exchange right beginning at a second time after the first time, wherein a holder of the exchangeable security may exchange a share of the exchangeable security for a share of the

underlying security and receive the linked payment amount, participants of the transaction receive a tangible benefit. For example, a holder of the exchangeable security can obtain more than the return of the underlying security. In addition, by providing a new exchangeable security having an issue value that is a price of an underlying security or basket of underlying securities at a first time, a linked payment amount linked to the exchangeable security, and an exchange right beginning at a maturity date after the first time, wherein a holder of the exchangeable security may exchange a share of the exchangeable security for a share of the underlying security and receive the linked payment amount, participants of the transaction receive a tangible benefit. For example, a holder of the exchangeable security can obtain more than the return of the underlying security.

Thus, Applicant respectfully requests withdrawal of the rejection.

III. Rejections under 35 U.S.C. § 112

In the Office Action dated October 18, 2005, claims 15 – 23 have been rejected under 35 U.S.C. § 112 ¶2 on the basis that the claims are allegedly indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. Office Action at ¶2, page 4.

Specifically, the Examiner indicated that “It is not clear if by the term ‘An exchangeable security’, the Applicant means ‘a method’, ‘an apparatus’ or ‘a process.’” Office Action at 4.

Applicant submits that claims 15 - 23 are neither vague nor indefinite since, when interpreted in light of the disclosure, they reasonably apprise a person of ordinary skill in the art of the invention. See MPEP § 2106(V)(A)(2)(the definiteness of the language must be analyzed “in light of the teachings of the disclosure as it would be interpreted by one of ordinary skill in the art.”). The claimed inventions relate to financial devices within the field of financial technology, as an such relate to practical applications which applicant respectfully submits are

neither vague nor indefinite.

In addition, with regard to claims 15 and 23, the Examiner has indicated that the “limitation ‘a payment amount linked to the exchangeable security’ is vague and indefinite.” Office Action at 4.

Applicant submits that claims 15 and 23, as amended, are neither vague nor indefinite since, when interpreted in light of the disclosure, they reasonably apprise a person of ordinary skill in the art of the invention. See MPEP § 2106(V)(A)(2). A non-limiting example of “a linked payment amount linked to the exchangeable security” is provided in the specification as “an additional payment amount, which will be paid at maturity of the exchangeable security. The payment amount may be a percentage of the offer or issue price of the exchangeable security, such as one half of one percent, or it may be a fixed amount. In one embodiment, the payment amount is between \$0.50 and \$1.00.” Specification at 13 -14. In addition, the specification provides several examples. For example, at issue of the new exchangeable security, a participant in the transaction can pay a discount to the market price of the underlying security to obtain the exchangeable security along with the promise of receiving the underlying security at maturity. Alternatively, at issue of the new exchangeable security, a participant in the transaction can pay the market price of the underlying security to obtain the exchangeable security along with the promise of receiving the underlying security at maturity plus an additional payment. As another non-limiting example, at issue of the new exchangeable security, a participant in the transaction can pay a discount to the market price of the underlying security to obtain the exchangeable security along with the promise of receiving the underlying security at maturity plus an additional payment. See, e.g., Specification at 7; Table 2.

Accordingly, applicant submits that claims 15 – 23 reasonably apprise a person of ordinary skill in the art of the invention and are neither vague nor indefinite, and respectfully

requests withdrawal of the rejection of claims 15- 23 under 35 U.S.C. § 112.

IV. Provisional Rejection under Double Patenting

Claims 15 - 23 have been provisionally rejected under the judicially created doctrine of obviousness-type double patenting over claims 43 – 51 of co-pending Application No. 09/769,999 to Seaman.

Applicant submits that in the event that claims that are not patentably distinct become patented, applicant would submit an appropriate terminal disclaimer.

V. Rejections of Claims 15 – 17 and 19 – 23 under 35 U.S.C. § 103

In the Office Action dated October 18, 2005, claims 15 - 17 and 19 – 23 have been rejected under 35 U.S.C. § 103 on the alleged basis that the subject matter of the claims are allegedly obvious over Goldman Sachs Prospectus Supplement No. 150. (“*Goldman Sachs No. 150*”) Office Action at page 6. In addition, the Examiner has apparently taken Official Notice and stated that “Conversion ratios of ‘n’, where ‘n’ is any number from a fraction to any multiple is old and well known in the art of finance and investments. By specifying the conversion ratio in the prospectus the issuer makes it very clear to the investor about the number shares of the underlying security the investor can get upon conversion.” Office Action at ¶ 4, page 7.

Claims 15 and 23 are independent claims and are addressed below.

A. Claim 15 Contains Non-Obvious Subject Matter

Claim 15 is not obvious over *Goldman Sachs No. 150* whether taken alone or in combination with Examiner’s Official Notice for at least the reason that the references do not disclose nor suggest an exchangeable security that is tradable on a securities exchange, comprising an issue value of the exchangeable security that is a price of an underlying security at a first time; a linked payment amount linked to the exchangeable security; and an exchange right beginning at a second time, where under the exchange right, a holder of the exchangeable

security may exchange a share of the exchangeable security for a share of the underlying security and receive the linked payment amount, the second time after the first time, as provided by claim 15.

Significantly, *Goldman Sachs No. 150* does not suggest nor disclose the claimed inventions for at least the reason that *Goldman Sachs No. 150* provides notes that are part of a series of debt securities. The instant invention is directed to a special kind of forward instrument.

Significantly, *Goldman Sachs No. 150* does not disclose or suggest “an issue value of the exchangeable security that is a price of an underlying security at a first time” as required by claim 15. Rather, *Goldman Sachs No. 150* provides notes that are part of a series of debt securities, and requires that “any note registered in the name of a holder must have a face amount of \$1,000 or any multiple of \$1,000.” (See p. S-6). Furthermore, *Goldman Sachs No. 150* provides an “Original Issue Price” as being “100% of the face amount for any investor purchasing less than \$5,000,000 aggregate face amount of the offered notes” and “99.00% of the face amount for any investor purchasing at least \$5,000,000 aggregate face amount of the offered notes.” (See p. 1). Indeed, nowhere does *Goldman Sachs No. 150* disclose or suggest “an issue value of the exchangeable security that is a price of an underlying security at a first time.”

Further, *Goldman Sachs No. 150* does not disclose or suggest “a linked payment amount linked to the exchangeable security”, as required by claim 15. Rather *Goldman Sachs No. 150* provides for a series of debt securities, wherein an “Interest rate (coupon)” being “0.75% each year” and having “interest payment dates: each May 1 and November 1, beginning on May, 2001” is provided. (See p. 1)

In addition, *Goldman Sachs No. 150* does not disclose or suggest “an exchange right beginning at a second time, where under the exchange right, a holder of the exchangeable security may exchange a share of the exchangeable security for a share of the underlying security

and receive the linked payment amount, the second time after the first time.” Rather, *Goldman Sachs No. 150* provides for a series of debt securities, wherein an “Exchange Right” is provided wherein “the holder may elect to exchange the note, in whole or in part at any time, for index stock at the exchange rate, *provided* that Goldman Sachs may pay the holder the cash value of that stock instead of delivering that stock”. (See p. 1)(emphasis original).

In addition, *Goldman Sachs No. 150* provides “interest payment dates: each May 1 and November 1, beginning on May, 2001” which includes payments before the “exchange right beginning at a second time, where under the exchange right, a holder of the exchangeable security may exchange a share of the exchangeable security for a share of the underlying security and receive the linked payment amount, the second time after the first time.”

It is also respectfully submitted that the Examiner has not met his burden with respect to the rejection of claims 15-17 and 19-23 under 35 U.S.C. § 103 based on Official Notice.

Among other things, in regards to *Goldman Sachs No. 150*, the Examiner has indicated that “[t]he Prospectus does not explicitly teach the step wherein the conversion ratio is 1 (that is one share of exchangeable security is exchanged for one share of the underlying security.” However, the claimed invention does not mention “conversion ratio” and it is uncertain whether the Examiner has applied Office notice to “an issue value of the exchangeable security that is a price of an underlying security at a first time” or “a linked payment amount linked to the exchangeable security” or “an exchange right beginning at a second time, where under the exchange right, a holder of the exchangeable security may exchange a share of the exchangeable security for a share of the underlying security and receive the linked payment amount, the second time after the first time.” Applicant respectfully requests the Examiner to identify the aspect of the claim to which the Examiner has applied Official Notice. See MPEP § 706.02(j).

Nonetheless, the Examiner has stated that “Conversion ratios of ‘n’, where ‘n’ is any

number from a fraction to any multiple is old and well known in the art of finance and investments. By specifying the conversion ratio in the prospectus the issuer makes it very clear to the investor about the number shares of the underlying security the investor can get upon conversion.” Office Action at ¶ 4, page 7.

Neither *Goldman Sachs No. 150* nor Examiner’s Office Notice provide any suggestion or motivation to modify the *Goldman Sachs No. 150* reference or to combine the teachings with a reasonable likelihood of success. Indeed, since the *Goldman Sachs No. 150* relates to a series of debt securities, having periodic interest payments, wherein a specific exchange rate “13.7048 shares of index stock for each \$1000 of outstanding face amount exchanged, subject to antidilution adjustment” is provided, the combination of *Goldman Sachs No. 150* and the Examiner’s Official Notice would not result in the claimed invention.

Accordingly, Applicant respectfully submits that the claimed inventions are not disclosed nor suggested in the art of financial instruments and are indeed novel. Claims 16 - 17 and 19 - 22 depend from claim 15, and for at least the above stated reasons, claims 16 - 17 and 19 - 22 are also not obvious over *Goldman Sachs No. 150* whether taken alone or in combination with Examiner’s Official Notice.

B. Claim 23 Contains Non-Obvious Subject Matter

For at least the reasons why claim 15 is not obvious over *Goldman Sachs No. 150*, claim 23 is also not obvious over *Goldman Sachs No. 150* whether taken alone or in combination with Examiner’s Official Notice.

In addition, *Goldman Sachs No. 150* does not disclose or suggest “an issue value of the exchangeable security that is a price of an underlying security or basket of securities at a first time” as required by claim 23. Rather, *Goldman Sachs No. 150* provides notes that are part of a series of debt securities, and requires that “any note registered in the name of a holder must have

a face amount of \$1,000 or any multiple of \$1,000.”

VI. Rejection of Claim 18 under 35 U.S.C. § 103

In the Office Action dated October 18, 2005, claim 18 has been rejected under 25 U.S.C. § 103 on the basis that the subject matter of the claim is allegedly obvious over *Goldman Sachs No. 150* in view of Merrill Lynch & A.G. Edwards, Semiconductors HOLDRS Trust Prospectus (“*Holders Prospectus*”).

For at least the reasons why claim 15 is not obvious over *Goldman Sachs No. 150*, the subject matter of claim 18 is also not obvious over *Goldman Sachs No. 150* whether taken alone or in combination with *Holders Prospectus*.

In addition, *Holders Prospectus* does not disclose nor suggest an exchangeable security that is tradable on a securities exchange, comprising an issue value of the exchangeable security that is a price of an underlying basket of securities at a first time; a linked payment amount linked to the exchangeable security; and an exchange right beginning at a second time, where under the exchange right, a holder of the exchangeable security may exchange a share of the exchangeable security for the basket of securities and receive the linked payment amount, the second time after the first time, as provided by claim 18. Among other things, *Holders Prospectus* does not disclose or suggest a “linked payment amount linked to the exchangeable security,” nor “an exchange right beginning at a second time” where under the holder may receive the linked payment amount with the basket of securities at a second time.

Furthermore neither *Goldman Sachs No. 150* nor *Holders Prospectus* provide any suggestion or motivation to modify the *Goldman Sachs No. 150* reference or to combine the teachings, with a reasonable likelihood of success. Indeed, since the *Goldman Sachs No. 150* relates to a series of debt securities, having periodic interest payments, wherein a specific exchange rate of is provided, and *Holders Prospectus* relates to depository receipts and does not

provide for a “linked payment amount linked to the exchangeable security” which linked payment is provided at a second time, the combination of *Goldman Sachs No. 150* and the *Holders Prospectus* would not result in the claimed invention.

At least for these reasons, Applicant respectfully submits that all of the rejected claims are allowable over the cited references and asks that the § 103 rejections be withdrawn.

VII. Request for Consideration


Applicant respectfully submits that the claims of this application are in condition for allowance. Accordingly, reconsideration of the application and allowance is requested.

Applicant is amenable to scheduling a meeting with the Examiner and the inventor to explain the invention if the Examiner believes this may assist the Examiner in his examination of this application. Alternatively, if a conference would assist in placing this application in better condition for allowance, the undersigned would appreciate a telephone call at the number indicated below.

VIII. Authorization and Petition for Extension of Time

Applicant includes herewith a petition for a one month extension of time and encloses herewith the required fee. In the event that the Commissioner finds that a further extension of time is required, or an additional fee is required, the undersigned hereby petitions for the additional extension of time and authorizes the Commissioner to charge any require fee, or credit any overage to the Deposit Account of Milbank Tweed (13-3250).

Respectfully submitted,
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